

November 15, 2006
Financial Assistance Council Meeting
R2S-20 – Ecology Headquarters Building
Meeting Summary (Hyperlinks to specific presentations are included)

Council Members In Attendance: *Nancy Aldrich, Rick Blair, Gene Dorby, John Dohrmann, Don Gatchalian, Leslie Hafford, Selden Hall, Bob Hirsch, Kahle Jennings, Charlie Kessler, Bob Stevens*

Staff in Attendance: *Stephen Bernath, Steve Carley, Shawna Beers, Dan Filip, Sarah Davenport-Smith, Cindy Price, Pat Brommer, Emily Morris, Joan Clark, Jeff Nejedly, Alan Bogner*

- I. Meeting Agenda Overview and Introduction – Stephen Bernath
- II. Ecology's Preliminary Legislative Agenda – Melodie Selby
 - a. Domestic Wastewater Operator Certification Fees: Currently we certify 2000 operators. The fees only pay 60% of one full time equivalent (FTE) person and do not cover cost of the program.
 - i. Proposal
 - 1. Proposed Bill – move process for establishing Domestic Wastewater Operator Certification fees into rule and allow an advisory committee.
 - 2. Make permit fees a sub-account of the general fee account.
 - 3. Take fee amount out of statute. There's not statute written at this time, and it's about 2 years out for rule.
 - 4. Increase initial application fee and set a yearly renewal fee.
 - ii. Concerns/Thoughts
 - 1. Concern expressed about big jumps in fees in the next year and years to come.
 - 2. Change amount of operator fees to be paid by operator designation level.
 - 3. Change license renewal date to another time of year. It's difficult around Christmas.
 - 4. Why are the fees put on operators we rely on? Can fees be shared with the plants?
- III. FY 08 Funding Cycle Schedule – Jeff Nejedly (*more information available at: <http://www.ecy.wa.gov/programs/wq/funding/2008/index.htm>*)
 - a. Proposal
 - i. Rule Update – Several key provisions will change based on information already provided to the Financial Assistance Council and management, but most provisions will remain the same as the calendar year 2000 rule and amendments (see discussion below).
 - b. Concerns/Thoughts
 - i. The application needs to be simplified next year.
- IV. Status of Low Impact Development Program – Dan Filip/Emily Morris (*more information available at: <http://www.ecy.wa.gov/programs/wq/funding/NewLowImpactProgram.htm>*)
 - a. Application workshops were held in July.
 - b. Deadline for applications was September 15, 2006. 28 applications received, 27 eligible.
 - c. Requests equaled \$10.2M but only \$2.5M available. Ecology is now requesting \$7.75M from the 2007 Legislature to bring amount up to the amount originally requested in 2006.
 - d. Five evaluators processed applications and headquarters staff prepared 10 offer letters in accordance with the priority ranking (nine full and one partial funding based on the amount available).
 - e. "Offer" and "non-funded" list released November 1. Letters sent November 3.
 - f. LID Focus Sheet and Report to be released soon. (See the web site: <http://www.ecy.wa.gov/programs/wq/funding/NewLowImpactProgram.htm>)

- V. Status of On-Site System Repair and Replacement Program – Pat Brommer *(more information available at: <http://www.ecy.wa.gov/programs/wq/funding/OSS.htm>)*
- a. On-line applications were available August 24 and submitted to Ecology September 15. Offers were made October 16.
 - b. Based on demand, original ceiling amounts for Centennial grant funds were raised to \$100k.
 - c. Adjustable SRF Interest Rate based on County Median Household Income (MHI) *(PowerPoint presentation available at: <http://www.ecy.wa.gov/programs/wq/council/index.html>)*
 - i. Three-tier program for SRF payment dependent on the amount of local loans and grants disbursed to homeowners within 80 to 100%, 50 to 80% and below 50% of median household income.
 - ii. Amount of loan given to the three different tiers at the end of the project will be blended to determine the final repayment interest rate of the SRF loan.
 - iii. This is a program to make loan amounts marketable and allow the counties to service financially distressed homeowners for the repair of on-site septic systems.
 - d. Definition of Small Commercial Enterprise
 - i. Average daily flows cannot exceed 3,500 gallons per day.
 - ii. May include public lodging, rentals, small restaurants, stores, taverns, etc.
 - iii. Business must provide documentation to substantiate annual gross revenue.
 - e. Loan Loss Reserve Account
 - i. Ten percent of the total project cost may be billed as a loan loss reserve cost.
 - ii. Recipients may establish a dedicated loan loss reserve account to 1) cover the potential homeowner loan default, or 2) cycle loss reserve dollars back to cover septic repairs.
 - iii. Is this something we want? If so, we must bring it into rulemaking soon.
 - f. Concerns/Thoughts
 - i. With three-tier MHI, what about places like San Juan and absentee income? How will that be handled? Decided by each county?
 - ii. Issue to be faced is all grant funding comes from Centennial Clean Water fund. Available funds are not sufficient for all programs.
- VI. Phase II Stormwater Update and Grant/Loan Policy on Stormwater – Bill Moore/Steve Carley
- a. Permit Process
 - i. Guidelines to be used in rule revision now say projects covered by National Pollutant Discharge Elimination System (NPDES) permit are only loan eligible. Amount of the need determines percentage of interest and possible grant.
 - ii. "Facility" under permit (Phase II): first five years start-up; second five years a facility.
 - iii. Content of permit is federally mandated. Not much flexibility. With \$5M Clean Water Act, Section 319 Grant is required to match with 40% state Centennial grant funds.
 - iv. Once a project gets a permit it is no longer eligible for 319 Grant and therefore cannot be considered for 319 match.
 - v. Permits will be issued December 2006 (current projection).
 - b. Water Pollution Control Facility
 - i. Concern with 319 match due to decline in Centennial grant money.
 - ii. Stormwater added pollutants but no additional funds were given.
 - iii. Virtually no funding is available for stormwater control.
- VII. SRF Loan Fund and Centennial Clean Water Fund Rule Revision – Cindy Price/Sarah Davenport-Smith *(more information available at: http://www.ecy.wa.gov/programs/wq/funding/Rule%20Amedment/rule_revision_index.htm)*
- a. The Water Quality Program is experiencing reduced funding levels in all three grant and loan programs:
 - i. Centennial Clean Water Fund: Reduction over time from \$90M per biennium to the current \$38M (which includes sizeable Legislative set-asides)
 - ii. State Revolving Loan Fund: 18% reduction in capitalization grant in FY06 (FFY05)
 - iii. Clean Water Act Section 319 Fund: 16% reduction in FY06 (FFY05)

- b. Stormwater Hardship Statewide Average
 - i. Make grant available for most needy.
 - 1. 60% of statewide medium household income (MHI) will be threshold for an increased subsidy.
 - 2. Service area must have less than 25,000 people.
 - 3. Ceiling for grants is \$5M.
- c. Concerns/Thoughts
 - i. Not comfortable with population limitation.
 - ii. Clarify "population." Too broad a term. Should it be determined by average? ERU? Population served?
 - iii. Will grants be denied if not able to match funds? Possibly.
 - iv. What is meant by department discretion in decision making?
 - v. More tests need to be run on determining MHI and other issues.
 - vi. For debt service, bond rate needs to be used.

VIII. Follow-Up Items

- a. **Nancy Aldrich** will send a letter to Dave Peeler asking for the May 16 meeting to be in the Tri-Cities. It was suggested a field trip(s) be added to the meeting schedule.
- b. **Cindy Price & Sarah Davenport-Smith** will send the SRF Loan Fund and Centennial Clean Water Fund Rule Revision draft to all FAC members for their review.
- c. **Bob Hirsch** will send an "official" letter with the projection of loan eligible expenses from October 2006-September 2007 for the marine outfall project for which King County is receiving an SRF loan.

IX. Review Meeting, Confirm Future Topics and Next Date, Adjourn – Stephen Bernath

- a. Next Meeting
 - i. February 21, 2007, 10:00 a.m. to 3:00 p.m. at Ecology-HQ in rooms ROA-34/36
- b. Future Topics
 - i. Update from Jeff on application changes
 - ii. Update on legislative session and budget
 - iii. Preliminary legislature draft list
 - iv. Update on rule-making
- c. Future Topics to Consider
 - i. Evaluation criteria and process to be used in FY 2009.
 - ii. Continued rulemaking activities.
 - iii. Investment approach to setting priorities and tracking outcomes.